



Assessment of the Wastewater Treatment Division's Productivity Initiative Pilot Program



Peter Moy, Principal

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FCS GROUP's Scope of Work



- How effective has the operational component of the Program been compared to the initial goals and objectives and the operational cost savings and efficiencies achieved to date?
- Were the initial assumptions and budget savings targets as well as any subsequent changes reasonable?
- How effective has WTD been in applying private-sector business and wastewater industry best practices to improve the management and operations of the utility?
- Has WTD's internal assessment of the Program been objective and accurate?
- Has the use of the employee incentive funds been consistent with Ordinance 14941?

King County Ordinance 14941 Goals for the Productivity Initiative Pilot Program



- Continue providing high quality wastewater treatment and conveyance services to the region,
- Use private-sector models to improve management of the wastewater program,
- Improve cost efficiencies,
- Provide savings to the public,
- Define target budgets and accountability measures for meeting those targets,
- Continue working collaboratively with labor, and
- All employees to be creative in meeting the vision of becoming the best wastewater program.

Overall Results

- WTD's productivity initiative achieved numerous efficiencies and cost savings, especially in the first five years of the Program.
- Less successful in sustaining performance on certain goals:
 - ◆ Quality
 - ◆ Customer service
 - ◆ Employee management
- WTD has implemented many cost saving practices and ideas, and some can be considered innovative or best practices.
- Much of the cost savings was salary related which raises some key questions:
 - ◆ What should be considered and counted as savings?
 - ◆ Should the Program differentiate between cost containment versus productivity savings?

Effectiveness of the Operational Component



- Achieved many program goals during the first half of the initiative, especially those related to efficiency and cost savings.
- Expects to additionally operate the Brightwater treatment plant within the 2000 staffing level.
- Has been less successful in sustaining its initial performance involving quality and other customer and employee related goals in the latter years of the initiative.

Rate Payer Impacts



- WTD's portion of its rate devoted to its operating and maintenance costs has increased at about the same rate as the Seattle area's inflation rate and the initial Regional Wastewater Services Plan forecasts.
- Increases in the operating portion of the rate were lower than inflation for the 2001-2005 period, but from 2006 to 2009, the operating portion of the rate has exceeded the Seattle area's inflation rate.

Adoption of Private Sector and Industry Best Practices



- WTD has implemented many cost saving practices and ideas, some of which were innovative or best practices, but many were ones that can be expected from an organization focused on continuous improvement and efficiency.
- Compared to peer agencies, WTD's costs per million gallons treated was initially high but has improved relative to its peer agencies since 2001.

Cost Targets and Assumptions

- The target setting process is difficult and/or complex and essentially required WTD staff to maintain a second set of financial records.
- It has always been a struggle to reconcile these records with the reality of the actual WTD budget.
- The majority (59%) of the Program's employee savings have come from position vacancies, mostly from temporary vacancies.
- After nine years of the Program and the many changes to the target setting process and assumptions, most costs are adjusted in some manner.
- A significant portion of the WTD operating budget is considered uncontrollable and is outside of the target.

Use of the Incentive Fund



- Although the Incentive Fund can be used for a variety of purposes, the Fund has primarily been used to make employee payouts.
- WTD met its performance standards between 2001 and 2005, but since 2006, it has not been meeting all of its performance standards. As a result, a number of performance penalties have been assessed against the Incentive Fund before any employee payouts have been made.

Review of WTD's Internal Assessment



- FCS Group's assessment of the productivity initiative agreed with WTD's January 2011 draft internal assessment in a number of areas, but there were also differences related to:
 - ◆ Whether rate increases kept pace with inflation, and
 - ◆ Whether selected business practice targets and balanced scorecard measures were met, especially those related to permit compliance, customer focus, and employee management.

Questions?